

Implementing Internal Audit Standards

International Workshop on Accountability Challenges
Restoring Trust

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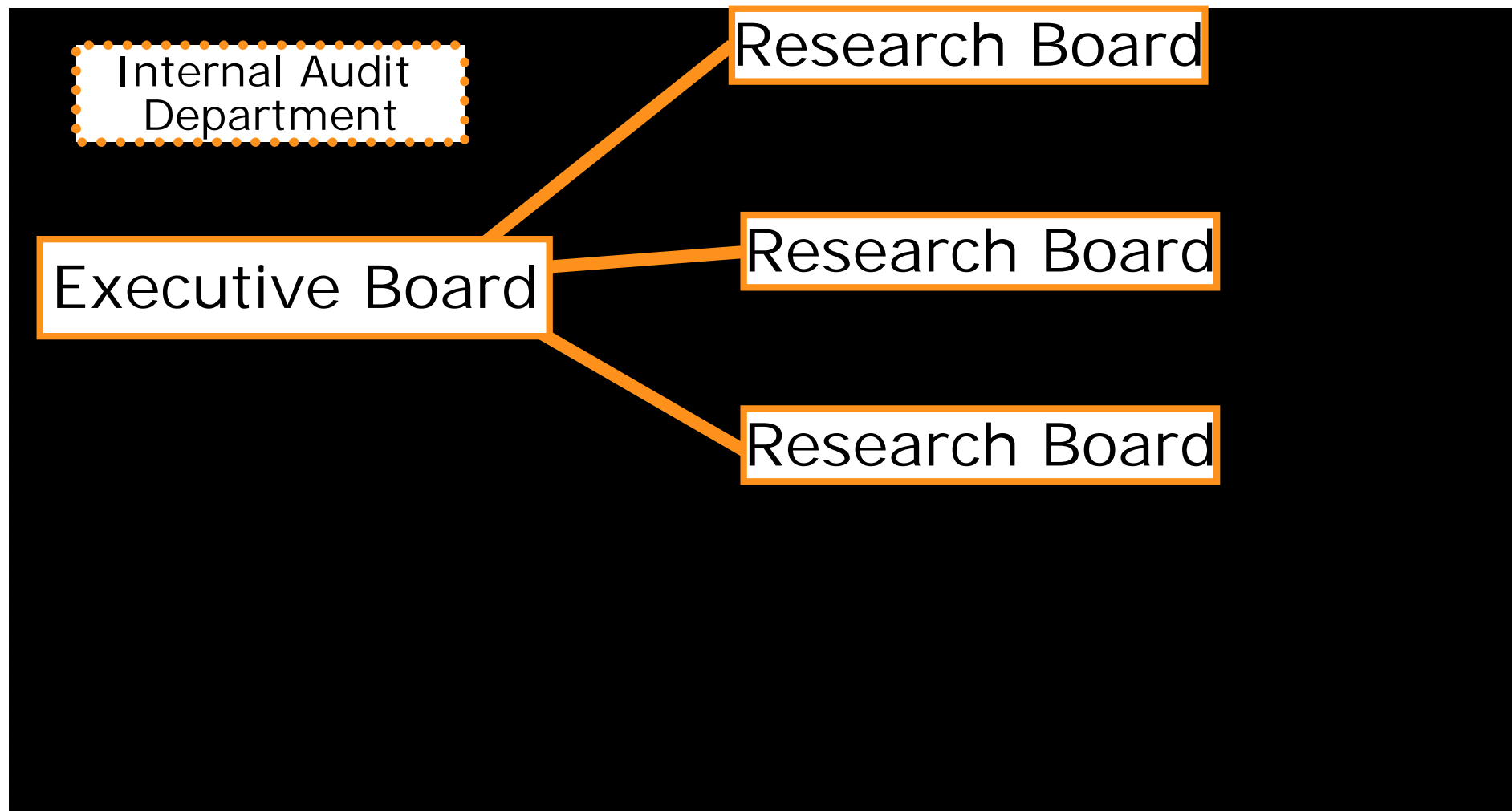
Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing **a systematic, disciplined approach** to evaluate and improve the effectiveness of risk management, control, and governance processes.

Agenda

- Internal Audit Department – The Research Council of Norway (RCN)
- The Institute of Internal Auditors (IIA)
 - International Standards for the Professional Practice of Internal Auditing (Standards)
- Implementing IIA standards at RCN
- Internal Audit in public administrative bodies – status Norway
- Trust

Internal Audit Department – The Research Council of Norway (RCN)

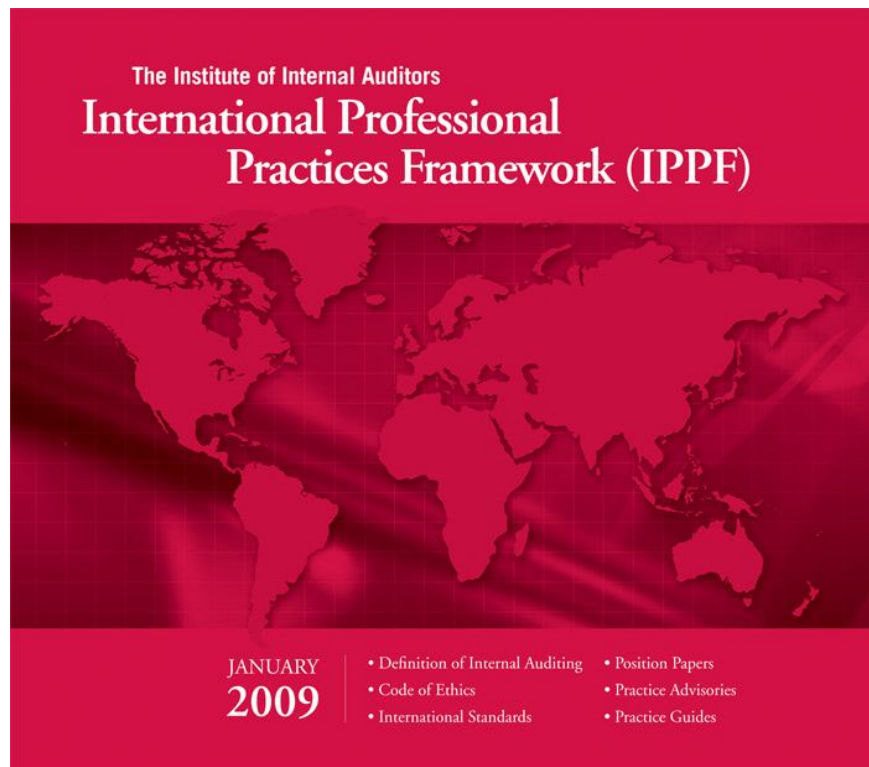


Charter

- The Internal Audit department are obliged to follow The International Professional Practices Framework (IPPF) developed by The Institute of Internal Auditors Inc (IIA)
- You will find the Framwork (IPPF) on www.theiia.org
- In the yearly report to the Executive Board, every deviation from the Standards is to be recorded

The Institute of Internal Auditors (IIA)

January 1, 2009



<http://www.theiia.org/>

Code of Ethics/Rules of Conduct

- **1. Integrity**
Internal auditors:
 - 1.1. Shall perform their work with honesty, diligence, and responsibility.
 - 1.2. Shall observe the law and make disclosures expected by the law and the profession.
 - 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
 - 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.
- **2. Objectivity**
Internal auditors:
 - 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
 - 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
 - 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- **3. Confidentiality**
Internal auditors:
 - 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
 - 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.
- **4. Competency**
Internal auditors:
 - 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
 - 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
 - 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

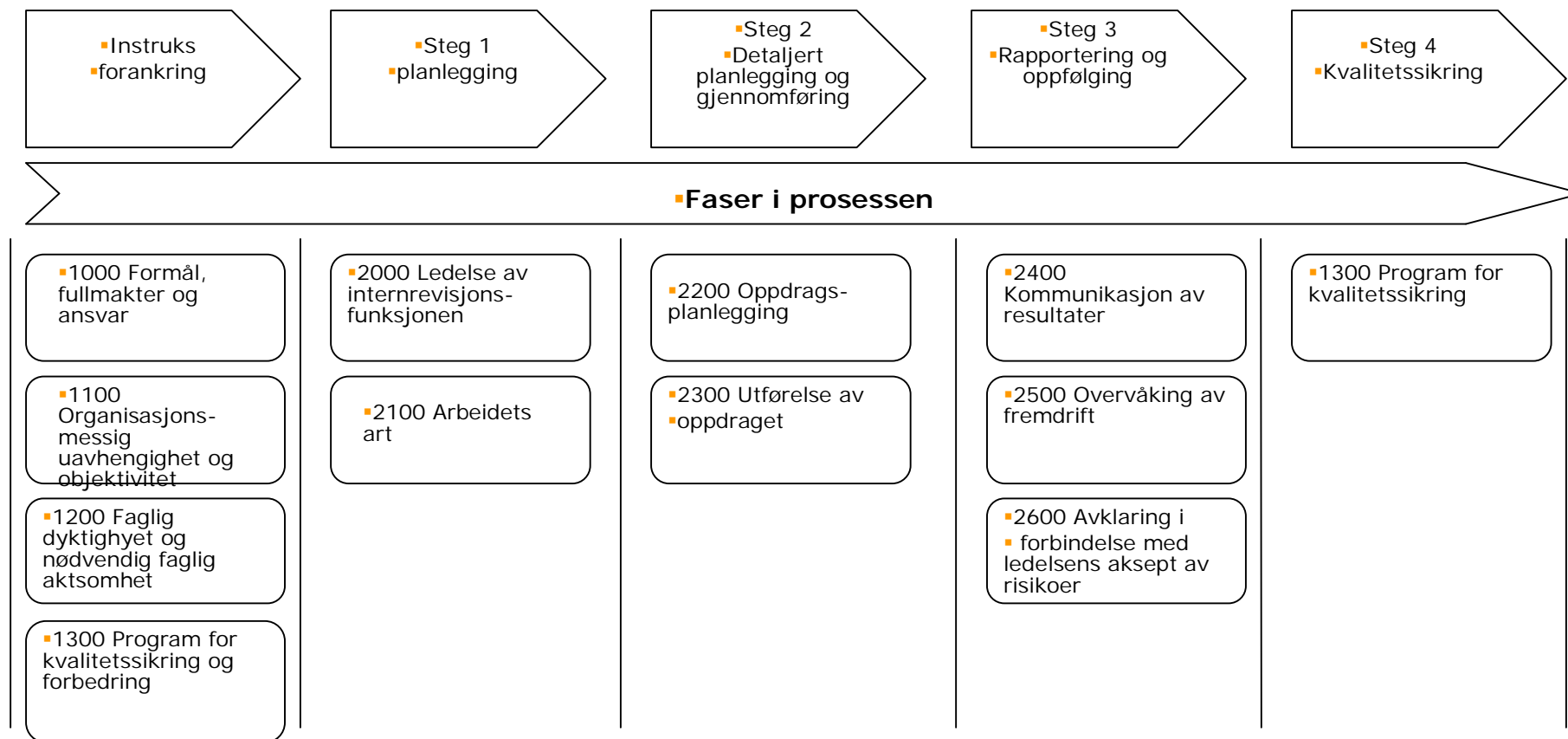
Attribute Standards

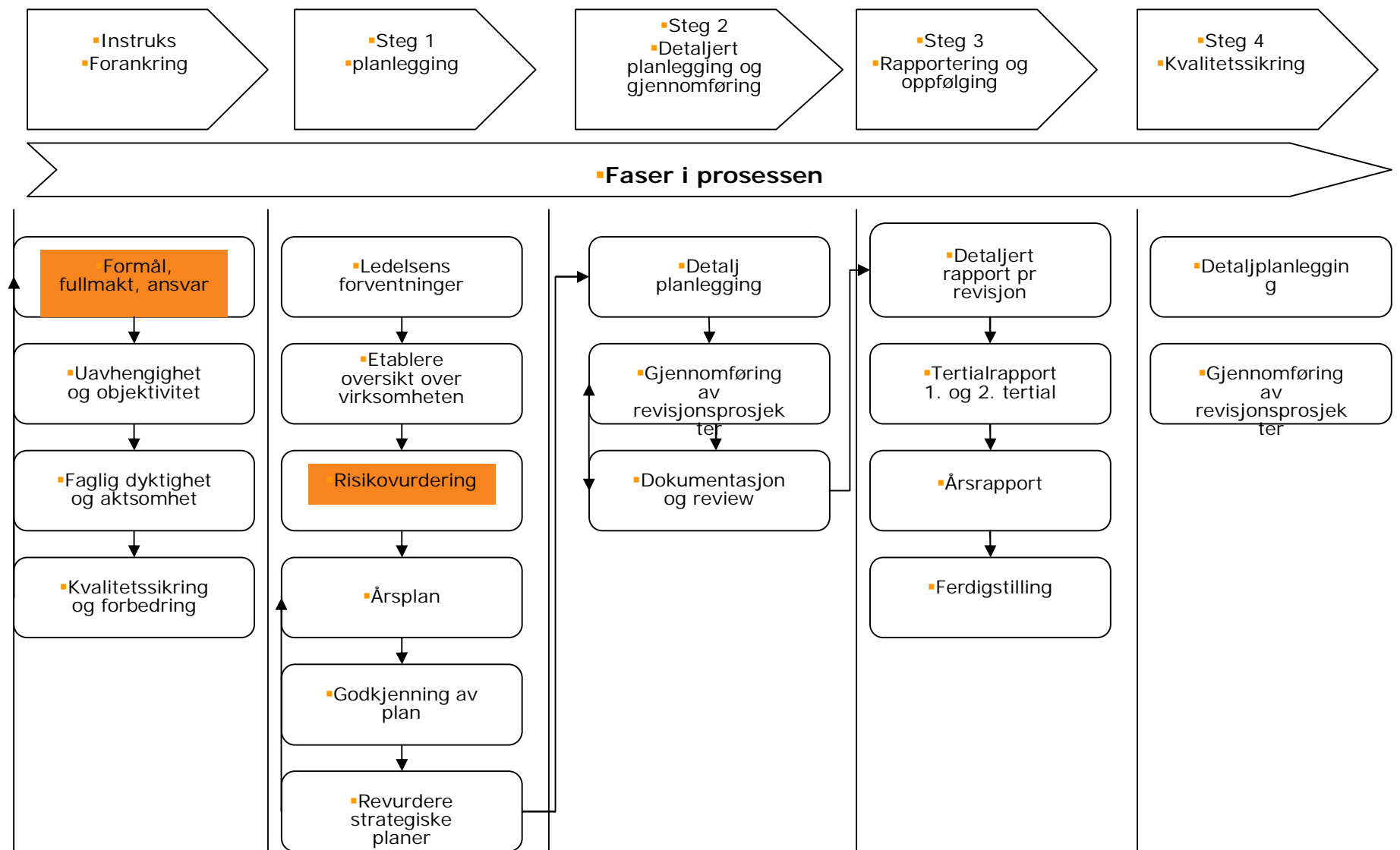
- **1000 – Purpose, Authority, and Responsibility**
 - The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
- **1100 – Independence and Objectivity**
 - The internal audit activity must be independent, and internal auditors must be objective in performing their work.
- **1200 – Proficiency and Due Professional Care**
 - Engagements must be performed with proficiency and due professional care.
- **1300 – Quality Assurance and Improvement Program**
 - The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

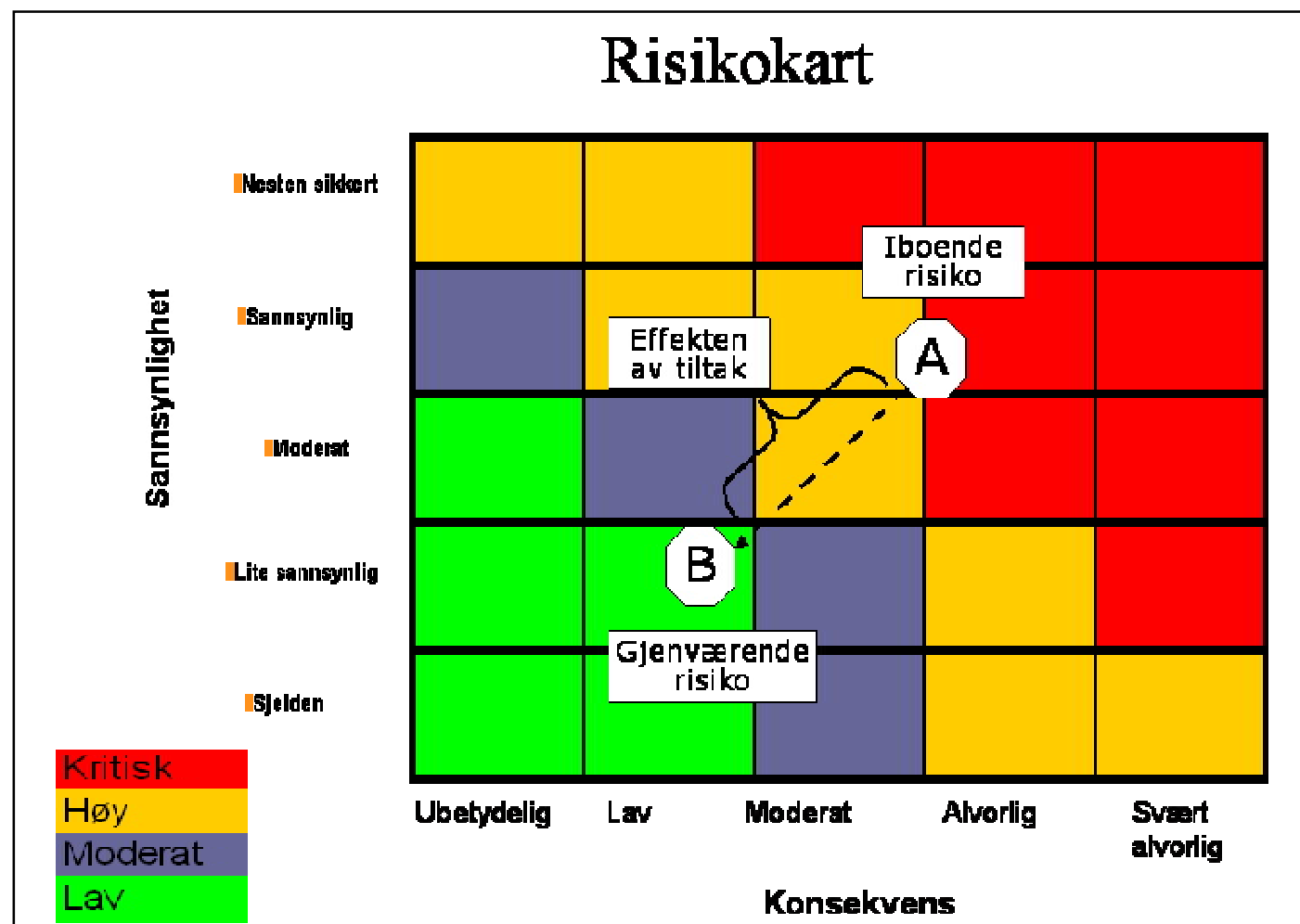
Performance Standards

- **2000 – Managing the Internal Audit Activity**
- The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.
- **2100 – Nature of Work**
- The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.
- **2200 – Engagement Planning**
- Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
- **2300 – Performing the Engagement**
- Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.
- **2400 – Communicating Results**
- Internal auditors must communicate the engagement results.
- **2500 – Monitoring Progress**
- The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.
- **2600 – Resolution of Senior Management's Acceptance of Risks**
- When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.

- Implementing IIA standards at RCN







Internal Audit in public administrative bodies – status Norway

- There are about 200 public administrative bodies
- 12 have an Internal Audit Department

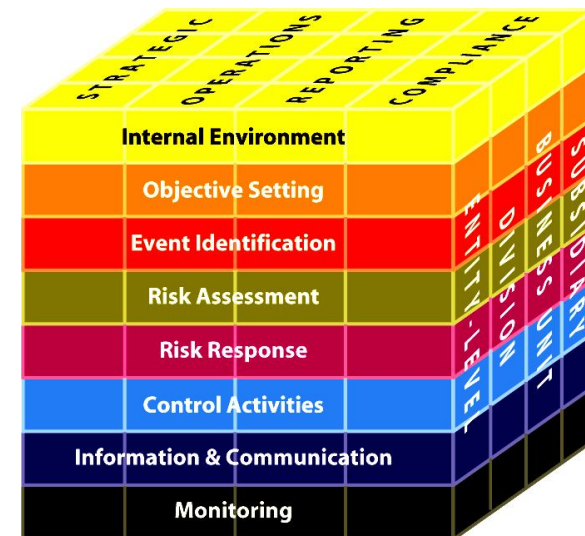
In order to better the knowledge about Internal Audit within the public administrative bodies in Norway, a research was conducted earlier this year. 9 of the 12 above answered the questionnaire. Some of the findings:

- All 9 have an Internal Audit Charter
 - IIA-standards
- Different behavior regarding Independence and Objectivity
- 8 have an annual Audit Plan
 - 7 are based upon Risk

Restoring Trust vs building Trust

The CEOs answered some questions regarding internal audit in the same research. They regarded two areas to be very important

- *The knowledge and competency of internal control (in the respective organization)*
- *The systematic approach to the internal audit work*



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